

## Results-Driven Contracting for Affordable Housing in Charleston, SC



*A rendering of the proposed housing development produced by the Charleston Design Center*

*As part of Bloomberg Philanthropies' What Works Cities initiative, the GPL provided pro bono technical assistance to help the Charleston Department of Housing and Community Development (HCD) use a results-driven RFP to identify a developer to build affordable housing on the Charleston peninsula – the City's main economic hub.*

**The Challenge:** The City of Charleston is facing a housing affordability crisis. A 2014 Housing Needs Assessment revealed a range of challenges: approximately 33% of homeowners and 50% of renters in the region spent more than 30% of their income on housing (HUD's threshold for affordability), 69% of the region's population did not live near public transportation and most employment opportunities were located in areas where housing was least affordable.<sup>1</sup> Despite a resurgence of housing construction in more recent years, housing supply has not kept pace with the City's population growth, and prices continue to rise.<sup>2</sup> The removal of a bridge in 2005, which had divided the Eastside neighborhood, provided a 6-acre redevelopment zone near Downtown Charleston, known as the Cooper River Bridge Redevelopment Area (CRBRA). While the CRBRA presented an opportunity to expand affordable housing in a rapidly gentrifying neighborhood, the area also experiences severe flooding and other challenges that complicated efforts to develop this site.

<sup>1</sup> 2014 Housing Assessment – City of Charleston.

<sup>2</sup> [Building permit data](#) is provided by the City of Charleston; [population data](#) is based on US Census Bureau's American Community Survey.

**Applying Results-Driven Contracting Strategies:** The GPL helped Charleston design a Request for Proposals (RFP) to identify a developer that could create deeply affordable housing units while improving the quality of life for residents and re-knitting the community by using the following strategies:

- 1) **Organizing a structured procurement planning process, which involved:**
  - a. **Stakeholder engagement.** To kick-start the new planning effort, the city engaged over 100 people during a two-day series of meetings in June 2018 in order to synthesize learning from a previous RFP and determine stakeholders' priorities in redeveloping the site using a goal ranking exercise. Stakeholders included the Eastside Neighborhood Association, housing advocates and nonprofits, real estate developers, representatives from various City departments, South Carolina Electric and Gas, the SCDOT, and the Mayor's office. The overarching priorities for these stakeholders were 1) improving housing affordability, 2) mitigating flooding and other environmental challenges, and 3) "re-knitting" the neighborhood by creating more active pedestrian spaces and connectivity.
  - b. **Cross-departmental planning of the development and complementary projects.** Charleston needed to resolve a number of key questions about the size and design, level of affordability, financing, and complementary investments in neighborhood infrastructure such as parks and drainage. The GPL developed a decision tree to map key decisions and highlight interdependencies between them. The GPL also structured a work plan for stakeholders to reach consensus on key decisions and draft related RFP sections through a series of overlapping two-week "sprints." The product of these drafting sprints was 1) agreement between the Public Services, HCD, and Finance departments on the developer's and City's responsibilities, 2) a range of pre-approved design scenarios based on massing studies produced by the Charleston Civic Design Center, and 3) financing options based on those design scenarios. The City assumed responsibility for undergrounding utilities, investing in site grading and environmental remediation, developing a linear park adjacent to the site, and studying potential future improvements to neighborhood drainage infrastructure.
  - c. **Resource planning and financial modeling.** Using the acceptable design scenarios and drawing on cost data from past projects, the GPL helped HCD and the Finance Department create a financial model to estimate the total cost of the development as well as the requisite city investment given other sources of capital, such as private debt and Low Income Housing Tax Credits (LIHTC). These estimates positioned HCD to successfully advocate for the resources required to develop the site from the City's CFO, the Mayor, and City Council.
- 2) **Releasing a results-driven RFP with detailed guidance on key challenges and development priorities.** Charleston used the RFP as an opportunity to share information with interested developers about site topography, the approximate size and location of underground bridge pile caps, and capacity of drainage infrastructure in this flood-prone area. The City's Design Review Committee pre-approved the set of design scenarios that were used for project planning in order to reduce uncertainty for developers around the City's stringent design process. HCD also set clear expectations around the conditions for receiving housing bond financing, which included requiring that all units be reserved for households making 60% of Area Median Income or less, and that ownership of the building would

eventually revert to the city to preserve long-term affordability. Finally, Charleston outlined a set of process and outcome metrics to track the developer's/property manager's performance against the City's goals.

- 3) **Developing strategies for systematizing successful components of the RFP planning process.** The GPL and HCD made a checklist for future housing development planning efforts that includes prioritizing development opportunities based on cost-benefit analyses, consulting with stakeholders to surface shared goals, and setting up a system to measure the developer's/property manager's performance. The Civic Design Center formed a standardized workflow to quickly produce massing studies and design scenarios for future developments. Finally, the GPL used the financial model it had already created for HCD and the Finance Department to estimate the total amount of funding needed to develop other sites based on those design scenarios.

**The Results:** Due to the detailed guidance in the solicitation, HCD was able to compare proposals and ultimately select a partner to develop 62 units of housing in a robust and fast-paced manner as needed to meet the State's LIHTC application deadline. Moreover, the financial modeling and resource planning better prepared the city and developer for contract negotiations, reducing the time between vendor selection and contract execution. Finally, HCD incorporated results-driven contracting strategies employed in this RFP into a subsequent RFP to develop 45 affordable housing units near the CRBRA. Taken together, HCD has used this approach to develop high-quality affordable housing for over 350 people and is well-positioned to apply these best practices to future procurements.